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Annual Report

GENERAL PRODUCTS MFG. CORPORATION LIMITED

1965

DIRECTORS' REPORT

TO THE SHAREHOLDERS

The Annual Report for the year 1965, as approved by your Board of Directors, is submitted herewith together with the financial statements for the year and the certification of the Auditors.

HIGHLIGHTS 1965

Profits for the year were again higher and net earnings, after income taxes applicable to 1965, were \$476,369, up from \$331,633 in 1964. Reference has been made in previous reports to the carry-forward of tax losses and the Consolidated Statement of Income and Surplus includes a \$214,000 adjustment in that respect. Such adjustments will not be of the same significance in future years.

Net capital expenditures in 1965 exceeded \$600,000, a somewhat lesser amount than in 1964. It is anticipated that funds for such expenditures during 1966 will continue to be available from within the Company's own resources.

At the year-end, net working capital was \$800,000 higher than in the previous year, with substantial increases in both customers' accounts and inventories. The notable increase in accounts receivable is due to increased billings and to the general tendency towards slower payments.

Shareholders have recently been advised of a change in the taxable status of the Company's dividends. For a considerable number of years, dividends had been paid from tax-paid surplus and had not been taxable in the hands of Canadian shareholders. The tax-paid surplus being largely depleted, the January, 1966 dividend was in part tax-free and in part taxable and it is anticipated that future dividends will be on the more usual cash basis and, as such, subject to applicable income tax.

Consolidated sales for the year 1965 achieved an all-time high, the greater part of the increase being recorded by the larger divisions. Order backlogs at year-end were also at all-time highs.

Manufacturing operations were taxed to meet customer demand, despite the enlargement and streamlining of plant facilities in recent years. Procurement of materials in sufficient quantities was a major problem. The shortage of skilled manpower prevalent in Canadian industry caused abnormal turnover, and affected efforts to enlarge both staff and hourly forces.

There were no labour contracts due to expire before early 1966, and management was thus able to concentrate on the normal problems of increasing output, reducing costs and improving customer service, and noteworthy gains were realized from these endeavours.

STANDARD TUBE AND T.I. LIMITED

Sales of this subsidiary were substantially above those of the previous year and were at a new record. Of particular interest, the growth in sales was general, with all products participating in the increase.

The tube producing facilities at Woodstock and Montreal established new records for steel consumption, with the new 3 $\frac{1}{2}$ " mill making a significant contribution to overall tubing production. The newly installed mill at Winnipeg did not come into operation until late in the year. Shipments of fabricated products and warehouse stocks kept pace with the faster tempo of tube manufacturing.

Facility studies made early in the year indicated the need for additional floor space in the main plant at Woodstock in order to increase the output of existing equipment. Accordingly, shop area was increased to provide for more efficient steel handling and to improve the flow of tubing from mills to shipping floor.

Mention was made in the previous Annual Report of the uncertain future of automotive parts production at Woodstock in the light of the implementation of the Drury Plan for duty free import-export of new vehicles and parts for vehicle manufacture by joint agreement with our southern neighbour. The decision of your management has been to use a very cautious approach to anything beyond nominal capital expenditure until the procurement policies of the major vehicle producers become clearly stated and implemented. In the light of this policy, expenditures for automotive parts production were held to a minimum and, by full time operation of the available facilities, new records were set and customers' needs were met. The future of this segment of operations remained obscure at year-end, although indications were that tube making and fabricating facilities would require further expansion to meet demands for the 1967 model year.

ARVIN-STANDARD LIMITED

It will be recalled that this Company — a joint venture with Arvin Industries, Inc. — was incorporated in 1964 to manufacture mufflers for the Canadian automotive trade.

During the period under review, the start-up difficulties referred to in the previous report were largely overcome by mid-year, a steadily improving production pattern emerged and the year ended on an encouraging note in this respect. General Products' share of start-up losses to date has been fully provided for in the financial statements.

However, the Drury Plan has come into being since this company was established and the policy of the automobile manufacturers with respect to Canadian procurement under the Plan, as it affects the products of Arvin-Standard, is not clear at this time. Accordingly, it is difficult to forecast with accuracy the immediate outlook for this Company pending clarification in this regard.

RICHARDS-WILCOX COMPANY

The overall progress of the previous year continued unabated throughout 1965 with incoming business and shipments reaching new highs and year-end order backlog at record level.

In terms of specific products, the added emphasis given to materials handling items resulted in sufficient business to warrant construction of additional shop space to cope with required increase in output. While this area was not available until late in the third quarter, it was of great assistance immediately thereafter and has continued to be fully utilized.

The new venture into subcontracting has shown steady progress with a modest contribution to earnings and the further advantage of lessening seasonal variations in the

scheduling of basic lines. New products, such as fibre-glass doors, have been well received with sales slightly in excess of budget. The manufacture of a proprietary line of rolling steel doors, initiated several years ago, has now become a major element in the industrial door division of the company.

Engineering studies leading to standardization of products have been continued and excellent results in lowering costs and shortening delivery times have resulted. This work will be on a continuing basis for the foreseeable future.

Additional products were investigated during the year and at the year-end negotiations were being finalized for exclusive rights for manufacture and sale of tower cranes for building construction purposes and for a line of access doors, each of these products being complementary to the present range of building components. It is anticipated that Richards-Wilcox may commence to benefit from these new products by late 1966.

VAN RAALTE OF CANADA

It will be recalled that this operation was brought into being in 1962 in support of the hosiery division through a licensing arrangement with Van Raalte, Inc., a leading manufacturer of high quality lingerie in the United States. Concurrent with the later decision to liquidate the hosiery operation, it was felt that the lingerie venture should be continued, particularly since it was firmly established, was producing quality garments at budgeted costs and involved a relatively minor investment in relation to the Company's total assets.

While progress has been achieved in the intervening period, the rate of growth and the related earnings have not been up to expectations. Also, with the Company developing and broadening in the field of metal processing and fabrication, it became evident that management skills should be concentrated on the Company's major divisions.

These considerations prompted review of the situation with Van Raalte, Inc., the licensor of this division, and a wholehearted supporter of the project since its inception. Negotiations have since been completed with Van Raalte, Inc. providing for the sale of the inventory and equipment of this division at book value, the leasing of the plant facilities and the termination without penalty of the existing license agreement.

With the conclusion of these steps, General Products will, after forty years, cease to operate in the textile field.

METAL FABRICATORS LIMITED

The unsatisfactory operations of this subsidiary continued during 1965. A management reorganization was put into effect in the first quarter and further additions and changes in staff were made during the year.

New designs of greater appeal in the hospital room furniture field were developed and, as of the year-end,

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an advanced design of a hydraulically operated bed, including new and novel features, was being presented to hospital authorities in various sectors of the country. While acceptance is not as yet fully determinable, preliminary reaction has been quite favourable. Patent protection for this design has been applied for.

Arrangements leading to the introduction of a new stylised line of nesting furniture are in the final stages of negotiation with the designers, and this product may be expected to furnish additional sales volume.

Special attention is being directed to the problems of this subsidiary in the hope that its operations may be established on a firm basis.

1966

The upward surge of demand in 1965 is expected to continue in the current year, insofar as the fields of activity of the various divisions of General Products are concerned.

Sales and earnings budgets call for further increases notwithstanding steadily higher costs of operation. The capital programmes of recent years are expected to assure continuing improvements in costs and output and further expenditures are contemplated for 1966. Labour contracts in the major operating units will be under renegotiation in 1966 and every effort will be made to achieve settlements bearing reasonable relationship to conditions in the respective industries.

Of concern to all, of course, is the tightness of money and credit, affecting, as they seem bound to do, the capital outlays of industry. The unfavourable implications of inflation are also becoming more and more evident and it seems that we must anticipate continually rising costs in the conduct of business.

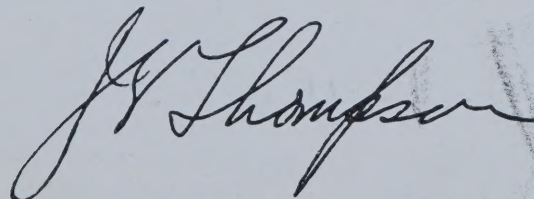
The year ahead, therefore, promises to be strenuous, demanding and, we hope, rewarding.

ORGANIZATION AND PERSONNEL

Subsequent to the last Annual Meeting of the shareholders, the Board of Directors was strengthened by the addition of Messrs. S. C. Bacon, F. W. P. Jones, V. T. Ross and J. A. Taylor.

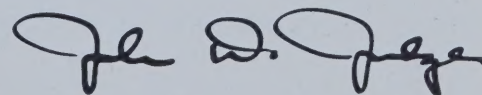
The improved results recorded in this report are due in no small measure to the efforts and dedication of our employees and these qualities are recognized and appreciated by the Directors.

ON BEHALF OF THE BOARD OF DIRECTORS



April, 1966

Chairman of the Board



President

GENERAL PRODUCTS MFG. CORPORATION LIMITED

(INCORPORATED UNDER THE CORPORATIONS ACT OF ONTARIO)

CONSOLIDATED BALANCE SHEET

ASSETS

DECEMBER 31

| | 1965 | 1964 |
|---|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 43,826 | 95,182 |
| Accounts receivable | 5,685,055 | 4,207,448 |
| Inventories, at the lower of cost or market | 5,639,166 | 4,820,550 |
| Prepaid expenses | 70,189 | 77,200 |
| | <u>\$11,438,236</u> | <u>\$9,200,380</u> |
| INVESTMENTS | | |
| Allied Company - Shares and advances at cost, less provision for loss | 460,364 | 372,251 |
| Shares and securities of other companies - at cost | 600,131 | 565,534 |
| | <u>\$ 1,060,495</u> | <u>\$ 937,785</u> |
| FIXED ASSETS - at cost | | |
| Land | 336,150 | 371,949 |
| Buildings | 4,391,278 | 4,116,889 |
| Machinery and equipment | 6,373,353 | 6,136,774 |
| | <u>11,100,781</u> | <u>10,625,612</u> |
| Less - Accumulated depreciation | 5,885,072 | 5,564,498 |
| | <u>\$ 5,215,709</u> | <u>\$5,061,114</u> |
| | <u><u>\$17,714,440</u></u> | <u><u>\$15,199,279</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1965

NOTE 1

The provision for income taxes includes \$214,000 (1964 \$105,000) not required due to the carry forward of taxable losses of prior years. This amount has been shown as a separate credit.

NOTE 2

Provision for deferred income taxes consists of the accumulated income tax reductions resulting from claiming capital cost allowance for tax purposes in excess of recorded depreciation. The 1965 addition to this provision was \$157,000 (1964 \$202,000).

NOTE 3

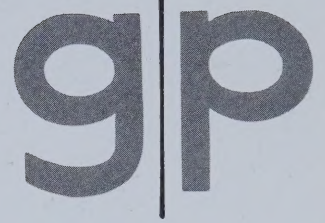
Earnings in the consolidated statement of income attributable to minority interest.

NOTE 4

Directors' fees, totalling \$7,500, were paid during 1965.

NOTE 5

During 1965, 500,000 shares of 3% non-cumulative preferred stock were issued as stock dividends and subsequent to December 31, 1965.



LIABILITIES

DECEMBER 31

| | 1965 | 1964 |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Bank loans | \$2,647,957 | \$1,845,309 |
| Accounts payable and accrued | 2,656,903 | 2,222,379 |
| Taxes payable | 597,823 | 353,522 |
| | <u>\$5,902,683</u> | <u>\$4,421,210</u> |
| PROVISION FOR DEFERRED INCOME TAXES (Note 2) | \$ 623,000 | \$ 466,000 |
| MINORITY INTEREST | <u>\$3,792,106</u> | <u>\$3,522,076</u> |
| SHAREHOLDERS' EQUITY | | |
| Capital - | | |
| Authorized - | | |
| 5 ⁰ % Cumulative redeemable preference stock | | |
| 4,356 shares, par value \$100 per share | | |
| 3 ⁰ % Non-cumulative redeemable second preference stock | | |
| 1,500,000 shares, par value 25¢ per share (Note 5) | | |
| "A" Common stock - 125,000 shares of no par value | | |
| "B" Common stock - 25,000 shares of no par value | | |
| Issued and outstanding - | | |
| "A" Common stock - 75,000 shares | 18,750 | 18,750 |
| "B" Common stock - 25,000 shares | 6,250 | 6,250 |
| | <u>25,000</u> | <u>25,000</u> |
| Tax paid undistributed income | | |
| (Under Section 105(1) of the Income Tax Act) | 68,053 | 193,053 |
| Reserve for contingencies | 200,000 | 200,000 |
| Consolidated surplus | 7,103,598 | 6,371,940 |
| | <u>\$7,396,651</u> | <u>\$6,789,993</u> |
| | <u>\$17,714,440</u> | <u>\$15,199,279</u> |

and surplus are after provision for

ne year.

redeemable second preference stock
deemed.

APPROVED: JOHN D. JUDGE, *Director*

APPROVED: D. G. WALLACE, *Director*

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS

YEAR ENDED DECEMBER 31

| | 1965 | 1964 |
|---|-------------|-------------|
| Net earnings before depreciation | \$1,542,752 | \$1,144,833 |
| Deduct - Depreciation on fixed assets | 313,833 | 286,277 |
| Net earnings before income taxes | 1,228,919 | 858,556 |
| Deduct - Provision for income taxes (Notes 1 & 2) | 752,550 | 526,923 |
| Net earnings after taxes applicable to current year | 476,369 | 331,633 |
| Add - Adjustment of income taxes (Note 1) | 214,000 | 105,000 |
| Net income for the year | 690,369 | 436,633 |
| Capital profit on sale of land | 41,289 | — |
| Surplus at January 1 | 6,371,940 | 5,935,307 |
| Surplus at December 31 | \$7,103,598 | \$6,371,940 |

CONSOLIDATED STATEMENT OF TAX PAID UNDISTRIBUTED INCOME

| | 1965 | 1964 |
|--|------------|------------|
| Balance at January 1 | \$ 193,053 | \$ 318,053 |
| Deduct - Stock dividends paid (Note 5) | 125,000 | 125,000 |
| Balance as at December 31 | \$ 68,053 | \$ 193,053 |

AUDITORS' REPORT

To the Shareholders of
General Products Mfg. Corporation Limited

We have examined the accompanying consolidated financial statements of General Products Mfg. Corporation Limited for the year ended December 31, 1965, comprising the consolidated balance sheet as at that date and the consolidated statements of income and surplus and tax paid undistributed income for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. The accounts of a division and certain subsidiaries included in the consolidated financial statements were examined and reported upon by other auditors.

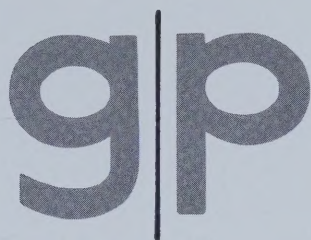
In our opinion, based on our examination and the reports of the other auditors, the aforementioned consolidated financial statements, together with the notes thereto, present fairly the financial position of General Products Mfg. Corporation Limited and its subsidiaries as at December 31, 1965, and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Ontario
March 11, 1966.

Rindell, Stead, Gaskin & Hutchison
Chartered Accountants

GENERAL PRODUCTS MFG. CORPORATION LIMITED

HEAD OFFICE: 660 RICHMOND STREET, LONDON, CANADA



DIRECTORS

S. C. BACON
E. J. HOSACK
F. W. P. JONES
JOHN D. JUDGE
W. H. McPHILLIPS, M.B.E.
R. W. ROBERTSON
V. T. ROSS
J. H. STEVENS
J. A. TAYLOR
A. S. THOMPSON
JAMES G. THOMPSON
J. G. THOMPSON
D. G. WALLACE

OFFICERS

Chairman of the Board
J. G. THOMPSON

Vice-Chairman
A. S. THOMPSON

President
JOHN D. JUDGE

Vice-President
W. H. McPHILLIPS, M.B.E.

Vice-President
JAMES G. THOMPSON

Vice-President and Secretary
D. G. WALLACE

Treasurer
J. R. SWANN

MANUFACTURING AND MARKETING OPERATIONS

STANDARD TUBE AND T.I. LIMITED

WOODSTOCK, HAMILTON, TORONTO, OTTAWA, QUEBEC, MONTREAL, WINNIPEG, VANCOUVER

METAL FABRICATORS LIMITED

TILLSONBURG

RICHARDS-WILCOX COMPANY

LONDON, HALIFAX, MONTREAL, OTTAWA, TORONTO, HAMILTON, WINNIPEG, CALGARY, EDMONTON, VANCOUVER

ARVIN-STANDARD LIMITED (ALLIED COMPANY)

STONE CREEK

PRINCIPAL PRODUCTS

STANDARD TUBE AND T. I. LIMITED

Electric Resistance Welded Steel Tubes and Pipes

Tubular Steel Fabrications

Seamless Mechanical and Pressure Steel Tubes

Welded and Seamless Stainless Steel Tubes

Aluminum Sheet, Plate, Tubes and Extrusions

Stacking Chairs and Tables

Materials Handling Equipment

"Explorer" Boat Trailers

Shop Furniture

RICHARDS-WILCOX COMPANY

Industrial and Garage Doors

Roof Scuttles and Access Doors

Airplane Hangar Doors

Electric Door Operators and Controls

Builders' Hardware

Movable Partitions

Spectator Seating

Gymnasium Equipment

Monorail and Conveyor Systems

Cranes and Hoists

METAL FABRICATORS LIMITED

Hospital Room Furniture

Surgical Furniture

Laboratory Equipment

Stacking Chairs

School Equipment

ARVIN-STANDARD LIMITED

(ALLIED COMPANY)

Automotive Mufflers and Resonators

